



**Local Agency
Formation Commission**
LAFCO of Napa County

1700 Second St., Suite 268
Napa, CA 94559
(707) 259-8645
FAX (707) 251-1053
<http://napa.lafco.ca.gov>

**APRIL 8, 2004
AGENDA ITEM NO. 8a**

April 1, 2004

TO: Local Agency Formation Commission

FROM: Keene Simonds, Analyst

SUBJECT: **Comprehensive Water Service Study:** Draft Determinations
Circle Oaks County Water District

At its April 10, 2003 meeting, the Commission received a presentation by staff providing an overview of the first phase of the *Comprehensive Water Service Study*. Following this presentation, the study was released for public review and a public workshop was conducted by the Commission at its June 12, 2003 meeting. At the conclusion of the public workshop, the Commission directed staff to proceed with the next phase of the study: the development of draft determinations. Since this time, staff has presented draft determinations for 10 of the 13 public agencies included in the study. These agencies are: City of American Canyon, City of Calistoga, City of Napa, City of St. Helena, Town of Yountville, Congress Valley Water District, Los Carneros Water District, Napa County Flood Control and Water Conservation District, and the Napa Sanitation District.

In a continuation of this process, staff has prepared draft determinations with respect to the Circle Oaks County Water District. These draft determinations are included with an updated study section for the District and are presented to the Commission for its consideration pursuant to Government Code § 56430. Staff is presenting these draft determinations to the Commission for a first-reading. These draft determinations will then be circulated for comment from the District and interested parties. Final determinations will be presented for adoption at the Commission's June 10, 2004 meeting.

In addition, attached to the updated study section and draft determinations, please find a letter from the Circle Oaks Homes Association commenting on the Public Workshop Draft Report. This letter provides an overview of the Association's findings as it relates to the District, and highlights specific areas of concern. These comments were reviewed by staff prior to the development of the draft determinations.

Draft determinations for the remaining agencies included in the *Comprehensive Water Service Study* will be presented to the Commission at future meetings.

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CIRCLE OAKS COUNTY WATER DISTRICT

OVERVIEW

The Circle Oaks County Water District (COCWD) was established in 1962 to provide potable water and sewer services to a planned resort/residential community in Cappell Valley located in northeast Napa County. The District's formation was sought by landowners to help facilitate the development of a 2,200-lot community to be known as "Circle Oaks." In 1964, the Napa County Board of Supervisors approved a subdivision map submitted by the Circle Oaks Sales Company, Inc. resulting in the creation of 331 quarter-acre circular lots. That same year, general obligation bonds were issued to finance the construction of water and sewer facilities for the first phase of Circle Oaks, referred to as "Unit One."

At the time of its formation, COCWD anticipated supporting development within Circle Oaks with water drawn from a variety of sources. An engineering firm was hired to clean a local spring and develop wells for use at Unit One. The District intended to eventually supplement these sources with surface water captured from Cappell Creek. To this end, the District authorized design plans for the construction of a 1,100 acre-foot reservoir for consideration by the California Division of Dam Safety along with seeking an appropriative water right to Cappell Creek. Further, the District anticipated that once demand generating from development within the remaining planned phases of Circle Oaks required additional supplies, an intake and transmission line would be constructed to convey water from Lake Berryessa. Due to financing constraints, however, plans to dam Cappell Creek were discarded while the development of a transmission line to Lake Berryessa was abandoned as development in the remaining phases of Circle Oaks failed to materialize.

Over the next twenty years, development within Unit One was tempered due to a change in market demand along with unstable soil conditions, which resulted in the elimination of several lots and roadways within the subdivision.¹ In 1984, the District's jurisdictional boundary was significantly reduced following the detachment of 21 vacant parcels totaling 3,017 acres. The detachment proceedings, which represented over 90 percent of the District, were originally filed with LAFCO in 1981 and were prompted following a dispute between the affected landowners and the District involving the collection of ad valorem property taxes. The ad valorem property taxes collected by the District were used to make payments on the general obligation bonds that were issued in 1964 to finance the construction of water and sewer systems serving Unit One. Additional phases of the District's planned water and sewer systems, however, were never constructed. As a result, the landowners sought a release of their lands that were located outside of Unit

¹ In 1964, the California Department of Real Estate conducted a survey of Unit One and determined that 21 of the subdivision's original 331 lots were not suitable for residential development due to unstable soil conditions. In 1971, the County of Napa declared that three roadways within Unit One (Fawn Court, Glen Court, and a portion of Poplar Court) would not be accepted into the County's roadway system as a result of prior landslides.

One from any payments for past or future bonded indebtedness incurred by the District. The dispute was eventually resolved following a legal settlement in which the landowners agreed to pay \$175,000, while the District agreed not to oppose the detachment proceedings.

By the 1990s, the lack of development within Unit One coupled with the abandonment of the other planned phases of Circle Oaks resulted in the District operating at a loss as expenses outpaced revenues. The District's financial difficulties were exasperated when increased federal and state drinking water standards necessitated the construction of a water treatment plant in 1995. To meet operational costs, reserves were used to cover annual losses, which restricted the District from pursuing additional capital improvement projects.²

In 2000, COCWD increased water usage rates to meet operational costs as well as replenish a depleted reserve fund. Prior to the increase, the District's rate schedule was based on consumption tiers and had not been increased for several years. The amended rates, which included a change to a flat water rate schedule, increased the average monthly usage rate by approximately 500 percent.³ The District also declared an emergency water shortage and adopted an ordinance placing a moratorium on new water service connections. The moratorium was prompted by two separate events earlier in the year in which storage levels within the District were nearly depleted due to a fire and an interruption in the distribution system. The moratorium is intended to remain in effect until the District can secure the necessary funding to implement needed capital improvements.

In 2001, COCWD hired an outside consultant to evaluate its water service system to meet current and future system demands. The consultant concluded that the District needed to immediately expand its storage and water treatment capacity as well as secure additional water supplies once development within Unit One exceeded 300 lots. The District is currently pursuing financing options to implement two of the consultant's recommended improvement projects: replace the District's deteriorating 50,000 gallon storage tank with a new 200,000 gallon storage tank and add capacity to the District's water treatment plant.

GOVERNANCE

COCWD was organized under the County Water District Law, Division 12 of the California Water Code. The District's governing board is comprised of an elected five-member board of directors serving staggered four-year terms. Elections are in accordance with the California Election Code. In addition to electing a president, the board is required to appoint a secretary and general manager to assist in the duties and operations of the district. The board is also required to appoint an auditor, treasurer or

² A 1999 financial report by an independent auditor identified that between 1994 and 1999, the District operated at a cumulative loss of \$192,648.

³ Percentage based on the delivery of 10,000 gallons per service connection.

retain an independent auditor to monitor the financial condition of the district. Potable water services can be financed through water usage and availability charges, assessments, and general obligation and revenue bonds.

COCWD is currently without a fourth and fifth director due to unexpected resignations; a third director was recently appointed by the Napa County Board of Supervisors in order for the District to achieve a quorum. The Board must conduct a special election to fill the remaining two vacant seats. Board meetings are scheduled for the third Thursday of every month at the District's administration office and are open to the public. Board members are compensated \$100 for each meeting attended. Pursuant to the County Water District Law (Water Code 30000 et. seq.), the District is authorized to provide the following municipal services:

- Any act necessary to furnish sufficient water in the district for any present or future beneficial use, including the storage, conservation, and operation of water works (WC §31020-31022)
- The collection, treatment, and disposal of sewage, waste, and storm water (WC §31100)
- Drain and reclaim lands within the district for any beneficial use (WC §31033)
- Provide fire protection authorized under the Fire Protection Law of 1987 (WC §31120)
- Construct, maintain, or operate works or facilities for recreational activities (WC §31130)
- Acquire, construct, or operate facilities for the collection and disposal of garbage and waste (WC §31135)
- Construct, maintain, or operate hydroelectric power plants (WC §31149.1)

COCWD provides only the first two services listed above.

OPERATIONS

Operations and management of COCWD's potable water and sewer systems are provided by an independent contractor, Phillips and Associates. Under this arrangement, Phillips and Associates acts as general manager on behalf of the District. The company currently provides water and sewer services for approximately 15 entities in Napa County. The company was retained by the District in 2001 following the departure of the District's former operator. It provides on-sight supervision of the District's water and sewer systems seven days a week and is on call 24 hours a day to respond to reported

emergencies. The District employs one full-time administrator whose responsibilities include acting as district secretary and overseeing the day-to-day businesses on behalf of the board. The District's administration office is located next to the District's water treatment plant.

ADOPTED BOUNDARIES

COCWD's adopted service area is comprised of four non-contiguous, unincorporated areas consisting of approximately 252 acres. The District's adopted sphere of influence encompasses nearly its entire jurisdictional boundary with the exception of six parcels located outside of Unit One.⁴ The District is under the land use authority of the County of Napa. Land located within the District's adopted sphere of influence is designated under the County's General Plan as "Agriculture Watershed and Open Space." Zoning for this area is comprised of "Residential Single: B-10."⁵ This zoning standard requires a minimum parcel size of 10 acres.

| COCWD – Adopted Boundaries | |
|-----------------------------------|-------------|
| District Boundary: | 252 acres * |
| Sphere of Influence Boundary: | 214 acres * |

* Figures are approximations calculated using information generated by LAFCO and County of Napa's geographic information systems.

WATER SUPPLY

COCWD's water supply is generated from three wells and a spring source. The spring source is comprised of three horizontal wells that flow into a common galley. The three wells are located along the western edge of Unit One while the spring source is located along an easement on the northwestern edge of Unit One.⁶ Under normal conditions, the District draws water from its spring source during the summer and fall months while the wells are used primarily during the winter and spring months.

| COCWD – Available Water Supply (acre-feet) | |
|---|---------------|
| Well No. 1: | 116.14 |
| Well No. 2: | 22.06 |
| Well No. 3: | 10.30 |
| Spring Source: | 145.59 |
| TOTAL | 294.09 |

⁴ Portions of three parcels owned by the Circle Oaks Homes Association, which are used for greenbelt purposes within Unit One, are also located outside the District's sphere of influence.

⁵ District land located outside its adopted sphere of influence is zoned "Agricultural Watershed." This zoning standard requires a minimum parcel size of 160 acres.

⁶ The District reports that groundwater production markedly improved following an earthquake on September 3, 2000.

- * These figures represent an estimate by COCWD using daily pump capacity rates for the affected wells and the maximum daily flow rate range for the spring source as of September 2001 (COCWD figures were multiplied by 365 to calculate annual availability). All four sources are subject to capacity constraints due to recharge requirements and hydrologic conditions.

WATER DEMAND

In 2002, COCWD delivered approximately 17,189,200 gallons (53 acre-feet) of potable water, resulting in a daily average of 47,094 gallons. The District's maximum water demand was 130,100 gallons.⁷ The District currently provides water service to 189 service connections. Of this amount, 182 service connections are located within Unit One.

| COCWD – 2002 Water Demand | |
|-----------------------------|-----------------------------------|
| Annual Water Demand: | 17,189,200 gallons (53 acre-feet) |
| Average Daily Water Demand: | 47,094 gallons (0.14 acre-feet) |
| Maximum Day Water Demand: | 130,100 * (0.39 acre-feet) |
| Water Connections: | 189 |
| Population Served: | 624** |

- * Title 22 of the California Code of Regulations requires that sufficient water be available from the water sources and distribution reservoirs to adequately and dependably meet the requirements of all users under maximum demand conditions.

** Calculated in accordance with Title 22 of the California Code of Regulations §64412(a)(2).

Projected water demands for COCWD were identified in its *Preliminary Engineering Report (2001)*.⁸ The report projected water demands for the District based on the number of lots served. Demands were determined by establishing a proportionate fixed daily water use factor for each developed lot based on current system demand through buildout of Unit One.

| COCWD – Projected Water Demands (acre-feet) | | |
|---|---------------------|---------------|
| Lots Served | Average Day Demand* | Annual Demand |
| 190 | 65,500 gallons | 73.35 |
| 215 | 74,000 gallons | 82.87 |
| 240 | 82,740 gallons | 92.66 |
| 330 | 113,800 gallons | 127.45 |

⁷ A 2002 review by the California Department of Health Services determined that the District's maximum day demand between 1997 and 2001 was approximately 160,272 gallons.

⁸ Report prepared by Triad/Holmes Associates.

* Based on a daily water use factor of approximately 344 gallons per developed lot.

WATER TREATMENT FACILITIES

COCWD provides treatment of raw water generated from local groundwater and spring sources at the Circle Oaks Water Treatment Plant (WTP). Constructed in 1995, the Circle Oaks WTP filters and disinfects raw water prior to entering into the District's distribution system. The treatment process begins as raw water is conveyed to the Circle Oaks WTP through an integrated conveyance system consisting of four and six inch water lines. Alum, polymer (coagulants), and chlorine (disinfectant) are added and mixed as raw water is conveyed into a clarifier. Raw water is detained in the clarifier to facilitate the sedimentation of solids in the water. Solids are removed as water is cycled through a filtering tank and conveyed into a 100,000 gallon clearwell tank. The clearwell tank completes the disinfection process by allowing the treated water to complete its necessary contact time with the chlorine. Finished water remains in the clearwell tank until storage levels within the distribution system require recharge. The Circle Oaks WTP has a treatment capacity of approximately 97 gallons per minute, resulting in a daily treatment capacity of 140,000 gallons.

| Circle Oaks Water Treatment Plant | |
|--|--|
| Water Source: | Groundwater and Spring Sources |
| Treatment Capacity: | 97 gallons per minute; or 140,000 gallons per day |
| Clearwell Tank Capacity: | 100,000 gallons |

DISTRIBUTION SYSTEM AND STORAGE FACILITIES

COCWD's water distribution system receives and distributes treated water generated from the Circle Oaks WTP. The distribution system consists of a network of six, eight, ten, and twelve inch water lines. The distribution system provides service to Unit One and to seven parcels located outside of the subdivision. The distribution system overlays two water pressure zones and is served (recharge and system pressure) by two storage tanks. Due to the topography of the service area, a pump station is required to lift treated water from Circle Oaks WTP's 100,000 gallon clearwell tank into the primary pressure zone, "Zone One."

The distribution system operates on a supply and demand basis and responds to storage levels within Zone One. Zone One includes 108 service connections and is served by a 200,000 gallon storage tank. When storage levels within the 200,000 gallon storage tank fall below a designated operating level, treated water is discharged from the clearwell tank by means of a pump station. As water enters Zone One, water levels inside the 200,000 gallon storage tank are recharged. "Zone Two" includes 81 service connections and is served by a 50,000 gallon storage tank. A second pump station is required to lift

potable water from Zone One to Zone Two, which recharges the 50,000 storage tank. The two storage tanks work in conjunction with one another to maintain adequate pressure throughout the distribution system by utilizing gravity.

| COCWD – Distribution Storage Capacity | |
|--|-------------------------|
| Storage Tank 1: | 200,000 gallons |
| Storage Tank 2: | 50,000 gallons |
| TOTAL: | 250,000 gallons* |

- * Total does not include storage capacity at Circle Oaks WTP's clearwell tank (100,000 gallons).

RATE SCHEDULE

COCWD customers are charged two monthly fees for water service: a flat usage charge and a fixed availability fee. The usage charge is based on the amount of water delivered and is measured in units of 1,000 gallons. The availability fee is charged to every parcel located within the District's service area metered for water service. The District also charges a one-time connection fee for water service.

| COCWD – Rate Schedule | |
|------------------------------|--------------------------|
| Water Usage Fee: | \$6.50 per 1,000 gallons |
| Water Availability Fee: | \$29.00 |
| Water Connection Fee: | \$5,000 |

FINANCIAL

COCWD has an approved operating budget for 2002-2003 of \$259,963. This amount includes water and wastewater operations. Primary expenses include payroll, operation and maintenance, professional services, and insurance/permit costs. The District's anticipated revenue for 2002-2003 is \$261,639. Revenue sources include water and wastewater service fees and property taxes. The District is currently operating without a reserve fund.

WRITTEN DETERMINATIONS

In anticipation of reviewing and updating COCWD's sphere of influence, and based on the above-mentioned information, the following written determinations are intended to fulfill the requirements of Government Code §56430. When warranted, some determinations include supplemental information listed in italics to provide context to the underlying service factor. A review of the District's sphere of influence will be included as part of a future study.

Infrastructure Needs or Deficiencies:

1. Based on the historical production capacities of its local water supplies, the Circle Oaks County Water District has an adequate supply of water to meet existing and future water demands under normal conditions within the timeframe of this study.
2. The Circle Oaks County Water District should continue to pursue opportunities to increase and enhance its available water supply by developing a water conservation program. A water conservation program, which should encompass a variety of measures to remind constituents of the importance of conservation, will reduce system demands and help to ensure an adequate supply of water during periods of below normal and dry year condition.
3. The Circle Oaks County Water District relies on groundwater to help meet existing and future water demands within its jurisdictional boundary. Although this source has proven reliable, more information is needed to determine reasonable production capacities for the affected groundwater basin. This information is needed to protect against overdraft and to preserve the long-term beneficial use of the basin.
4. The Circle Oaks County Water District should develop a groundwater monitoring program to evaluate water levels and recharge patterns within its existing well sites. At the same time, the District should establish policy objectives to manage the availability and quality of groundwater within its jurisdictional boundary to protect against unintended consequences, such as overdraft and contamination.
5. The location of the Circle Oaks County Water District service area restricts opportunities for the District to receive emergency water supplies from an outside service provider during a drought or service interruption. This issue underscores the importance of the District developing a water shortage contingency plan to maximize and conserve local water resources during periods of below normal and dry year conditions when supplies are limited.
6. The Circle Oaks County Water District's maximum day water demand is an important component in evaluating its current and future service capacities.

Title 22 of the California Code of Regulations requires all public water service providers ensure sufficient water be available from their supply, treatment, and storage facilities to adequately and dependably meet the requirements of all users under maximum demand conditions before permitting additional connections.

7. In 2000, the Circle Oaks County Water District adopted a 500 percent increase to its water usage rate schedule and placed a moratorium on new water service connections. These actions subsequently decreased recorded maximum day

records, making it appropriate to use demands recorded immediately prior to 2000 with respect to evaluating the infrastructure needs or deficiencies of the District.

8. The capacity of the Circle Oaks County Water District's water treatment plant to meet existing maximum day water demands is marginal.

Circle Oaks County Water District's maximum day demand in 2002 was 130,100 gallons, while its water treatment plant's daily capacity is 140,000 gallons.

9. The Circle Oaks County Water District's maximum day water demand prior to its 2000 decision to increase usage rates and adopt a moratorium on new water service connections is beyond the current capacity of its water treatment plant.

Circle Oaks County Water District's average maximum day water demand immediately prior to 2000 was 160,272 gallons, while its water treatment plant's daily capacity is 140,000 gallons.

10. The Circle Oaks County Water District has adequate treated water storage capacity to meet existing and future maximum day water demands within the timeframe of this study. This ensures that the District has adequate reserves available to meet peak system demands under normal conditions.

The District's treated water storage capacity is 250,000 gallons, while the average maximum day water demand immediately prior to 2000 was 160,272 gallons.

11. The Circle Oaks County Water District has a policy requiring 1,500 gallons of fire storage capacity be available for each developed lot within its service area. This amount exceeds the current storage capacity of the District and is significantly more than the amounts recommended by the California Department of Health Services and Napa County Code. To account for this discrepancy, the District should review this policy. If the District determines it is appropriate to maintain the policy, a written statement of justification should be provided to its constituents.

The District's Preliminary Engineering Report (2001), which was approved by the Board, recommends a fire flow requirement of 1,500 gallons for each developed lot, resulting in a current fire storage capacity requirement of 283,500 gallons. In 2002, the Department of Health Services recommended to the District a fire flow requirement of 750 gallons per minute for the duration of two hours, resulting in a current fire storage capacity requirement of 90,000 gallons. Napa County Code recommends a fire flow of 1,000 gallons per minute for the duration of 2 hours for a subdivision consisting of 141 to 350 parcels, resulting in a current fire storage capacity requirement for the

District of 120,000 gallons (Title 15, Chapter 15.32, Appendix III-A, Section 5.3.6).

12. The Circle Oaks County Water District should work with the County of Napa Fire Department, as the local fire protection authority, to evaluate fire storage requirements for its service area.
13. The Circle Oaks County Water District's water distribution system is subject to higher levels of maintenance due to unstable soil conditions underlying its jurisdictional boundary. The District should work with the Napa County Resource Conservation District to develop techniques to control and prevent soil erosion, which will provide long-term cost-savings and reduce the risk of future service interruptions.
14. The Circle Oaks County Water District should evaluate the feasibility of converting its treated wastewater supply into an emergency fire protection source. The use of treated wastewater for fire protection would assist in maximizing local water resources during a fire emergency by reducing the demand on the District's potable reserves and would help to mitigate costs involving the construction of new storage facilities.

Growth and Population Projections:

1. No new development is expected within the Circle Oaks County Water District's jurisdictional boundary because of its moratorium on new water service connections.

This moratorium has effectively created a building moratorium, as owners of undeveloped lots within the District's primary service area, Unit One, are unable to receive a building permit from the Napa County Planning Department without documentation of an available water supply.

2. The Circle Oaks County Water District is under the land use authority of the County of Napa. Land located within the District's primary service area, Unit One, is zoned "Residential Single: B-10." This zoning standard restricts future development to existing parcels within Unit One by requiring a minimum parcel size of at least 10 acres.

Existing parcels within Unit One are uniformly 0.25 acres in size. Accordingly, these parcels cannot be divided for the purposes of creating additional parcels.

3. Land located outside of the Circle Oaks Water District's jurisdictional boundary is designated under the County of Napa General Plan as "Agriculture, Watershed, Open Space." This land use designation discourages the Commission from approving annexation proposals to the District based on its policy to direct the

extension of municipal services away from land designated for agriculture unless it is in response to a health or public safety concern.

4. The calculation formula codified in Title 22 of the California Code of Regulations §64412(a)(2) is an appropriate method in estimating the total population served by Circle Oaks County Water District's water service system. The population served by the District's water system based on this calculation method is 644.

Financing Constraints and Opportunities:

1. The Circle Oaks County Water District should retain the services of a financial consultant to evaluate long-term revenue requirements and enhancement opportunities for its water service operations to meet projected operational costs and finance needed capital improvements. This evaluation should determine whether financial measures are available to rescind the moratorium on new water service connections that was established to ensure adequate service is available to existing customers.
2. As part of its review of revenue enhancement opportunities, the Circle Oaks County Water District should conduct a water rate and connection fee study. One option to consider is the adoption of a new connection fee to help cover the costs of capital improvements needed to serve new development within its jurisdictional boundary. An increased connection fee would serve as a buy-in charge. This is an appropriate and equitable approach to ensuring that new development pays a fair share of past and future expenses relating to the development and maintenance of the water system.
3. The Local Groundwater Management Assistance Act of 2000 provides grant funding to local public agencies to conduct studies and develop programs to protect and manage groundwater supplies. This program may provide the Circle Oaks County Water District an opportunity to secure financing for the development of a groundwater monitoring program. The District should contact the California Department of Water Resources to begin exploring funding opportunities under this program.
4. The Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 provides grant funding to public agencies to develop and enhance local water resources and related infrastructure and facilities. This program may provide the Circle Oaks County Water District an opportunity to secure financing for needed capital improvement projects, including expanding its treatment plant and storage capacities. The District should contact the California Department of Water Resources to begin exploring funding opportunities under this program.

Cost Avoidance Opportunities:

1. The Circle Oaks County Water District is a member of the Association of California Water Agencies, an organization comprised of over 400 public water agencies. This organization provides members with information concerning new regulations and legislation relating to water quality standards and facilitates the exchange of service information, including questions and ideas, through an association e-mail system. The District should take full advantage of the cost avoidance opportunities provided by this organization. This would include attending its conferences and workshops and participating in group discussions with other special districts sharing similar service issues and concerns.
2. The Circle Oaks County Water District's decision to contract for water service operations with Phillips and Associates provides cost-savings relating to salaries, benefits, training, and certification.

Opportunities for Rate Restructuring:

1. The Circle Oaks County Water District's water rates are – on average – the highest among all public water service providers in Napa County. The District should continue its efforts to educate its constituents with respect to the relationship between operational costs, infrastructure constraints, and water rates.
2. The Circle Oaks County Water District, as part of a long-term evaluation of revenue requirements and enhancement opportunities, should conduct a water rate and connection fee study. This study is needed in anticipation of the District increasing its water rates within the next year to support operational and capital improvement costs along with developing cash reserves.
3. In 2000, the Circle Oaks County Water District adopted an increase to its water usage rate schedule. The amended rate schedule increased the average monthly usage rate by approximately 500 percent. Although the increase was justified to be a more accurate measure of the actual costs of providing service, the increase created dissension among constituents regarding the decision-making practices of the District. Future rate increases, which should be developed as part of a water rate study, should be implemented gradually over a period of time to minimize the impact to the customer.
4. The Circle Oaks County Water District currently operates without sufficient cash reserves to help finance special projects or emergency improvements. This requires the District to rely on loans, special assessments, or bonded indebtedness to fund capital improvements or sustain operations in the event of an emergency. It is imperative that the District develop cash reserves to maintain the solvency of its water service operations.

As of March 2004, the District maintained a cash reserve balance of \$12,032.

5. The Circle Oaks County Water District should review the merits of modifying its flat water usage rate schedule in favor of a tiered schedule. A tiered rate schedule enables service providers to recover the costs of providing service to high-use customers while strengthening water conservation efforts by providing a financial incentive to conserve.

Opportunities for Shared Facilities:

1. The Circle Oaks County Water District is restricted from participating in cost-sharing activities with other water service providers, such as joint-use facilities and projects, based on its remote service location.

Government Structure Options:

1. The Circle Oaks County Water District is the only public agency providing water service within its jurisdictional boundary. There are two other public agencies empowered to provide water service whose jurisdictions overlap that of the District: the Napa County Flood Control and Water Conservation District and Napa County Resource Conservation District. Both of these agencies have elected not to offer water service, and have expressed no intentions of doing so in the foreseeable future.
2. The Circle Oaks County Water District is empowered under the County Water District Act to provide seven municipal services: water, sewer, land reclamation, fire, recreation, sanitation, and hydroelectric power. Currently, the District provides only water and sewer service. Until it resolves its financial and operational constraints relating to water service operations, it is not appropriate for the District to provide additional municipal services.
3. The Circle Oaks County Water District has been successful in achieving its original service objective to provide water and sewer service to the Circle Oaks community. The District continues to serve as an appropriate instrument in meeting the service needs of the community by localizing costs for the direct benefit of its constituents.
4. There are no public agencies within reasonable proximity to the Circle Oaks County Water District capable of assuming its service responsibilities.
5. It is unknown if there are advantages to pursuing a change in reorganization for the Circle Oaks County Water District due to the limited information concerning alternative government structures and any cost-benefits with respect to improving service levels within the affected area. Additional information is needed to determine whether an alternative government structure would better serve the needs of the District's constituents as it relates to improving delivery service, public participation, and local accountability.

6. Future municipal service reviews should focus on the progress of the Circle Oaks County Water District in addressing its operational and financial constraints. Future reviews should also evaluate the extent of local control constituents wish to maintain in terms of evaluating alternative governance structure options.

Evaluation of Management Efficiencies:

1. The Circle Oaks County Water District should establish written policies and procedures defining the responsibilities of its staff and designated representatives. The establishment of ministerial powers would enhance the decision-making authority of staff and designated representatives, and improve its efficiency and responsiveness to its constituents in carrying out the business of the District.
2. The Circle Oaks County Water District must adopt a budget for the current and upcoming fiscal year. The adoption of a budget should follow a publicly noticed meeting in which constituents are allowed to comment and offer suggestions with respect to expenditures relating to the District's water service operations. Allowing adequate time for its constituents to review and comment on a budget proposal enhances the accountability of the District's elected and appointed officials by reinforcing community priorities in terms of managing local resources.
3. It has been two years since the Circle Oaks County Water District completed an audit of its financial records. To ensure effective management and transparency in its fiscal activities, the District should retain the services of an independent auditor to review its accounting practices over the past two years.

Local Accountability and Governance:

1. The Circle Oaks County Water District's governing body is currently comprised of three directors serving on a volunteer basis. A special election is needed to fill the remaining vacated seats due to the unexpected resignations of two board members in 2003. The lack of willing participation among constituents – both past and present – to serve on the governing board has hindered the District's ability to address its operational and financial constraints.
2. The lack of interest in serving on the Circle Oaks County Water District's governing board suggests a need to improve public outreach efforts. These efforts should remind constituents of the role of the District and the importance of community involvement in its decision-making process.
3. The Circle Oaks County Water District should begin to recruit and acquaint new board member candidates with local service goals and objectives in anticipation of filling future board member openings. These efforts will help to ensure a viable pool of successor candidates, and provide an opportunity to cultivate new

perspectives and approaches that may prove successful in meeting the service needs of the District and its constituents.

4. Due to the lack of a quorum, the Circle Oaks County Water District has not met on a regular basis over the past year. To strengthen its local accountability, the District's Board members should make a concerted effort to ensure their availability to attend regularly scheduled meetings at fixed times and locations. These actions, in combination with providing written notice to its constituents of all scheduled and rescheduled board meetings, will help ensure that information is being effectively communicated to the public in a timely and efficient manner.
5. The Circle Oaks County Water District should work with the Circle Oaks Homes Association to coordinate their respective efforts to better serve the Circle Oaks community.